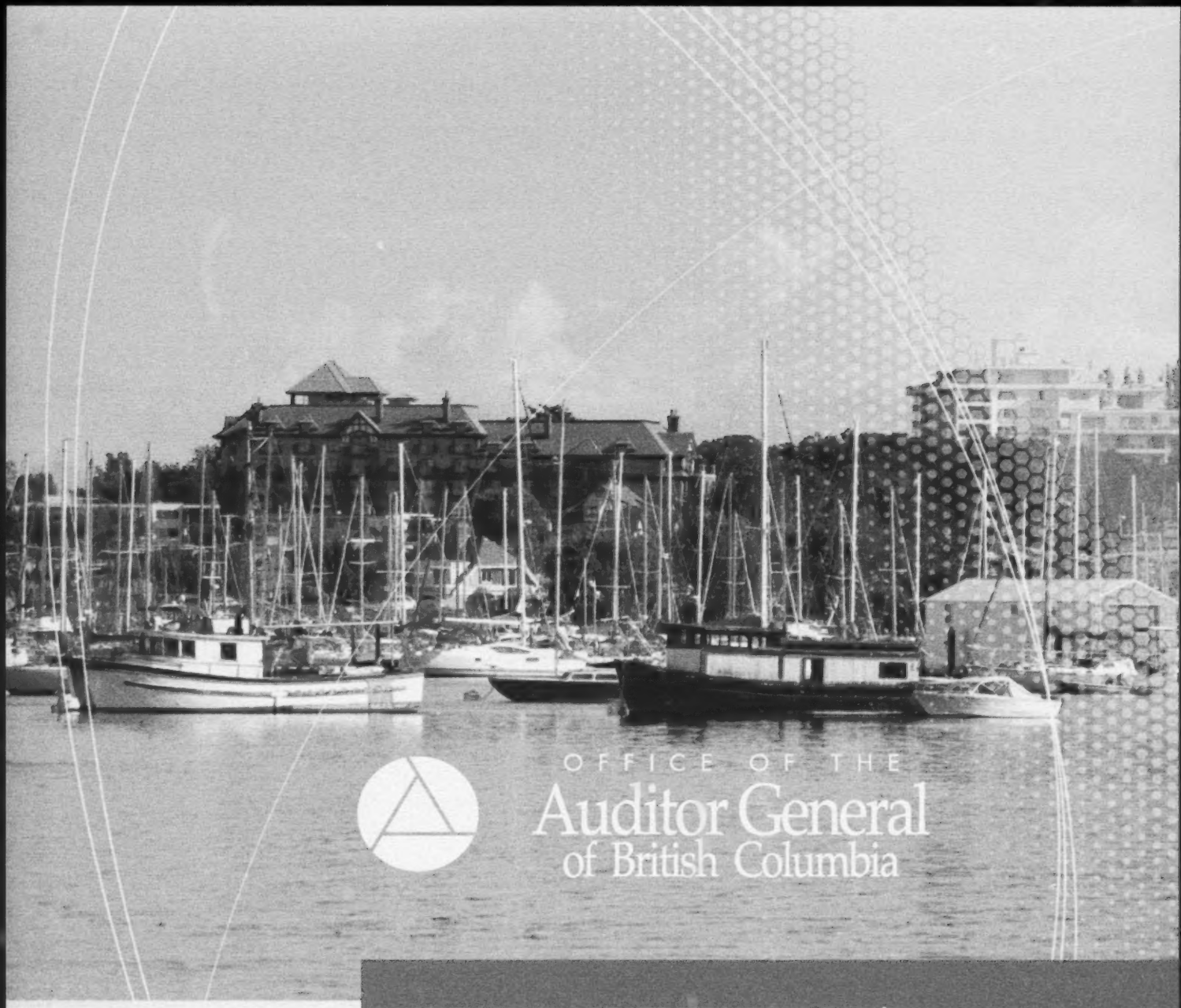

OFFICE OF THE

Auditor General of British Columbia

FINANCIAL STATEMENTS 2015/16

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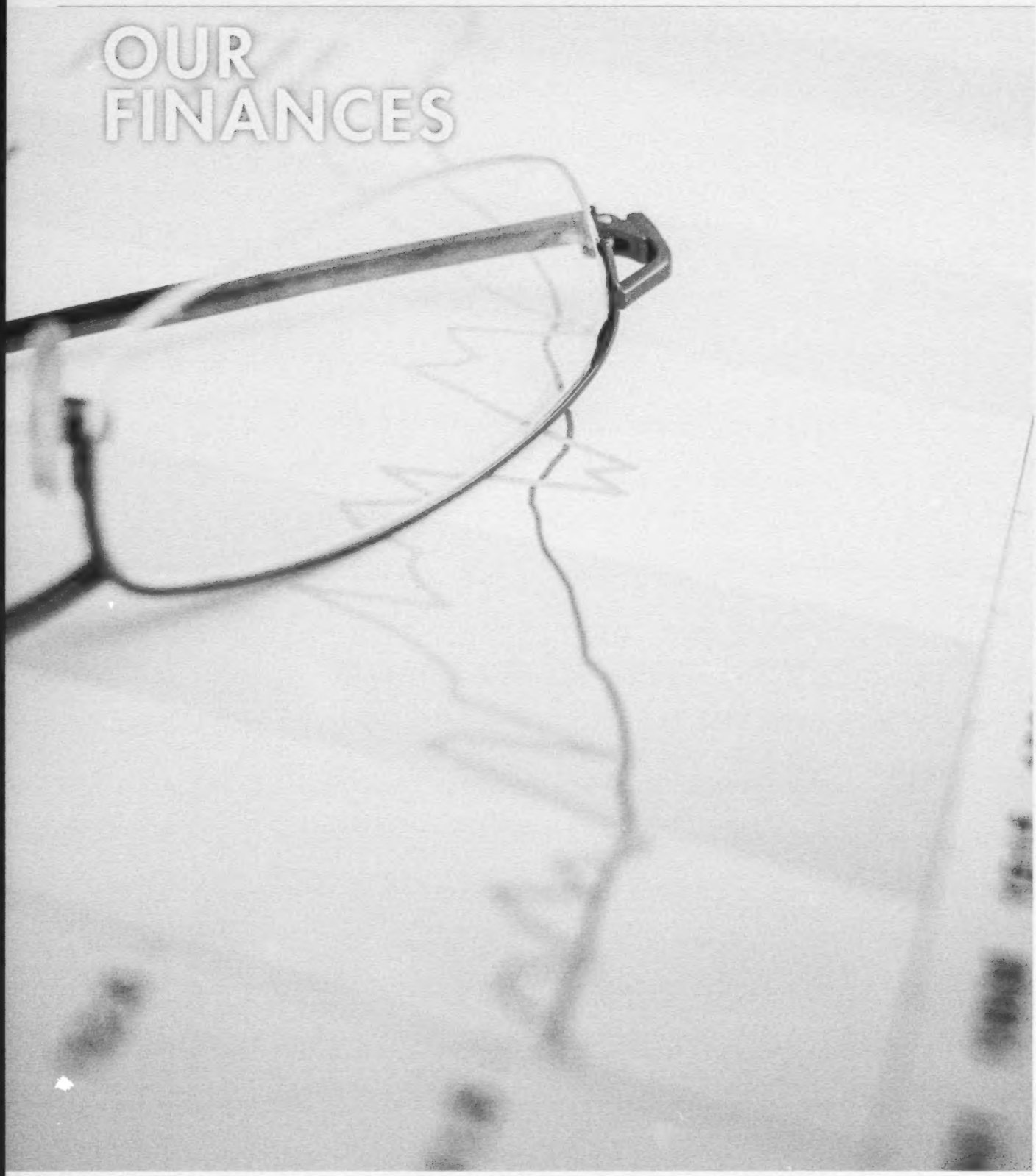
OUR FINANCES



STATEMENT OF MANAGEMENT RESPONSIBILITY

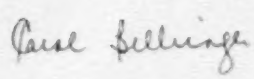
The accompanying financial statements of the Office of the Auditor General are the responsibility of management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances to ensure that the financial statements are presented fairly in all material respects.

We have developed and maintain systems of internal control that give reasonable assurance that the Office has:

- operated within its authorized limits
- safeguarded assets
- kept complete and accurate financial records

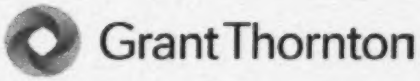
The Select Standing Committee on Finance and Government Services of the Legislative Assembly appointed Grant Thornton LLP, Chartered Accountants, to audit the accounts of the Office for the year ended March 31, 2016.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, British Columbia
June 3, 2016

Cornell Dover, CPA, CA, CISA
Assistant Auditor General

EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS



Independent Auditors' Report

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To the Speaker of the Legislative Assembly, Province of British Columbia

We have audited the accompanying financial statements of the Office of the Auditor General of British Columbia, which comprise the statement of financial position as at March 31, 2016, and the statements of operations, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Audit • Tax • Advisory
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EXTERNAL AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

Grant Thornton

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of British Columbia as at March 31, 2016 and the results of its operations, changes in net debt, and its cash flows for the year ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Victoria, Canada
June 3, 2016

Chartered professional accountants

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STATEMENT OF FINANCIAL POSITION

(in $thousands)

As at March 31, 2016	Note	2016	2015
Financial assets			
Petty cash		**2**	2
Due from consolidated revenue fund	3	**114**	546
Total financial assets		**116**	548
Liabilities			
Accounts payable and accrued liabilities	8	**399**	811
Total liabilities		**399**	811
Net debt		**(283)**	(263)
Non-financial assets			
Tangible capital assets	4	**710**	864
Prepaid expenses	5	**283**	263
Total non-financial assets		**993**	1,127
Net assets	6	**710**	864

Approved by:

Carol Bellringer, FCPA, FCA
Auditor General

Cornell Dover, CPA, CA, CISA
Assistant Auditor General

Commitments (note 10)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS

(in $thousands)

For the fiscal year ended March 31, 2016	Note	2016		2015
	7	Budget	Actual	Actual
Operations				
Revenue				
Operating appropriation		16,945	**15,873**	15,846
Expenses				
Audit services	11	16,945	**15,873**	15,846
Net cost of operations		-	-	-
Capital				
Revenue				
Capital appropriation		100	**98**	685
Expenses				
Purchase of tangible capital assets		100	**98**	685
Net cost of capital		-	-	-

STATEMENT OF CHANGES IN NET DEBT

(in $thousands)

For the fiscal year ended March 31, 2016	2016	2015
Acquisition of prepaid expenses	**(345)**	(205)
Use of prepaid expenses	**325**	121
	(20)	(84)
Increase in net debt	**(20)**	(84)
Net debt at beginning of year	**(263)**	(179)
Net debt at end of year	**(283)**	(263)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

(in $thousands)

For the fiscal year ended March 31, 2016	Note	2016	2015
Operating transactions			
Paid to employees		**(11,255)**	(11,583)
Paid to suppliers		**(4,542)**	(4,491)
Miscellaneous receipts	9	**41**	31
Cash used in operations		**(15,756)**	(16,043)
Capital transactions			
Acquisition of tangible capital assets		**(98)**	(685)
Appropriation for tangible capital assets		**98**	685
		-	-
Financing activities			
Current year appropriation		**15,324**	15,598
(Decrease) in due from consolidated revenue fund		**(432)**	(445)
Due from consolidated revenue fund, beginning of year		**546**	991
Due from consolidated revenue fund, end of year		**114**	546

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended March 31, 2016 (tabular amounts in $thousands)

1. Nature of operations

The Auditor General is an Officer of the Legislature of British Columbia appointed under the *Auditor General Act*. The Act, amended March 13, 2013, allows for the appointment of an Auditor General for a single eight-year term by the Legislative Assembly. Non-partisan, objective and independent of the government of the day, the Auditor General reports impartial assessments of government accountability and performance to the Assembly.

The Auditor General's mandate is established by the *Auditor General Act*. The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any government organization or trust fund. The Act also allows the Auditor General to carry out examinations focusing, among other things, on whether government or a government organization is operating economically, efficiently and effectively; and, whether the accountability information provided to the Legislative Assembly by the government or a government organization, with respect to the results of its programs, is adequate.

Funding for the operation of the Office of the Auditor General (the Office) comes from a voted appropriation (Vote 2) of the Legislative Assembly.

2. Significant accounting policies

We prepared these financial statements in accordance with Canadian public sector accounting standards and the *Budget Transparency and Accountability Act* and reflect the following significant accounting policies.

a) Legislative appropriations

The Office is funded by the Legislative Assembly through a voted appropriation. The vote provides separately for operating expenses and capital acquisitions. Any unused appropriation cannot be carried forward for use in subsequent years.

b) Financial instruments

The Office has designated its financial instruments as follows:

- Accounts payable and accrued liabilities as other financial liabilities and are measured at amortized cost
- Due from (to) consolidated revenue fund is classified as either loans and receivables or other financial liabilities and is measured at amortized cost
- It is management's opinion that the Office is not exposed to significant interest, currency or credit risk arising from these instruments
- A statement of remeasurement gains and losses has not been prepared as it is not considered to provide useful information

c) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated depreciation. Depreciation begins when the assets are put into use and is recorded in the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware and software	3 years
Mainframe hardware and software	5 years
Furniture and equipment	5 years
Tenant improvements	lesser of 5 years or term of lease

d) Employee future benefits

i) Pension benefits

All eligible employees participate in a multi-employer, defined benefit pension plan. Defined contribution plan accounting has been applied to the plan as the Office has insufficient information to apply defined benefit plan accounting. Accordingly, the Office's contributions are expensed in the year in which the services are rendered, and represent its total pension obligation.

ii) Other future benefits

Eligible employees are entitled to post-employment health care and other benefits as provided under terms of employment or collective agreements. The cost of these benefits is accrued as employees render the services necessary to earn them.

iii) Leave liability

Eligible employees are entitled to accumulate earned, unused vacation and other eligible leave entitlements as provided under terms of employment or collective agreements. The liability for the leave is managed and held by the BC Public Service Agency.

e) Measurement uncertainty

These financial statements are prepared in accordance with Canadian public sector accounting standards, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Provisions for the supplemental executive retirement plan and estimated useful lives of tangible capital assets are the most significant items for which estimates are used. Actual results could differ from those estimates. These estimates are reviewed annually, and as adjustments become necessary, they are recognized in the financial statements in the period in which they become known.

3. Due from (to) the Consolidated Revenue Fund

The Office does not have its own bank account or hold cash or cash equivalents. All financial transactions of the Office are processed through the Consolidated Revenue Fund of the Province of British Columbia. The "Due from (to) the consolidated revenue fund" balance represents amounts that the Office will receive from, or transfer to the fund.

(in $thousands)

	March 31, 2016	March 31, 2015
Balance, beginning of year	546	991
Cash provided for operations	15,324	15,598
Cash provided from miscellaneous receipts	41	31
Cash provided for the acquisition of tangible capital assets	98	685
	16,009	17,305
Expenses during year:		
Paid to employees	(11,255)	(11,583)
Paid to suppliers	(4,542)	(4,491)
Paid for the acquisition of tangible capital assets	(98)	(685)
	(15,895)	(16,759)
Balance, end of year	114	546

4. Tangible capital assets

(in $thousands)

	Computer hardware & software	Mainframe hardware & software	Furniture & equipment	Tenant improvements	Total
Year ended March 31, 2015					
Opening net book value	82	130	138	39	389
Additions	54	127	189	315	685
Disposals	-	-	(7)	(28)	(35)
Depreciation charge	(40)	(47)	(63)	(25)	(175)
Closing net book value	96	210	257	301	864
At March 31, 2015					
Cost	437	404	496	318	1,655
Accumulated depreciation	(341)	(194)	(239)	(17)	(791)
Net book value	96	210	257	301	864
Year ended March 31, 2016					
Opening net book value	96	210	257	301	864
Additions	98	-	-	-	98
Disposals	-	-	-	-	-
Depreciation	(61)	(60)	(67)	(64)	(252)
Closing net book value	133	150	190	237	710
At March 31, 2016					
Cost	431	404	496	318	1,649
Accumulated depreciation	(298)	(254)	(306)	(81)	(939)
Net book value	133	150	190	237	710

In 2016, the Office derecognized $104 of computer hardware which had been fully depreciated (2015 furniture and equipment of $232 and computer hardware of $55 and tenant improvements of which $39 had been depreciated).

5. Prepaid expenses

(in $thousands)

	March 31, 2016	March 31, 2015
Travel	13	6
Software maintenance	136	119
Other	134	138
Total	283	263

6. Net asset balance

The net asset balance represents tangible capital assets that have been funded through appropriations.

7. Voted, unused and used appropriation

The Office receives approval from the Legislative Assembly to spend funds through an appropriation that includes two components: operating and capital. Any unused appropriations lapse at the fiscal year end.

The budget shown on the Statement of Operations is based on the budgeted expenses that the Select Standing Committee on Finance and Government Services approved on December 15, 2014. The following table compares the Office's actual expenditures to the approved budgets:

(in $thousands)

Year ended March 31	2016		2015	
	Operating	Capital	Operating	Capital
Appropriation (Vote 2)	16,945	100	16,621	760
Total appropriation available	16,945	100	16,621	760
Total operating expenses	(15,873)	-	(15,846)	-
Capital acquisitions	-	(98)	-	(685)
Unused appropriation	1,072	2	775	75

8. Employee future benefits

The Office and all eligible employees contribute to the Public Service Pension Plan, a multi-employer, defined benefit, and joint trusteeship plan, established for certain British Columbia public service employees. The British Columbia Pension Corporation administers the plan, including payments of pension benefits to eligible employees. A board of trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of assets and administration of benefits.

The plan is contributory, and its basic benefits are based on years of service and average earnings at retirement. Under joint trusteeship, the risks and rewards associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions.

Every three years, an actuarial valuation is performed to assess the financial position of the pension plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2014 reported the fund was 101% funded.

As part of a settlement agreement with the Province of British Columbia, the Office no longer has the recorded liability for a supplemental pension benefit relating to a former Auditor General. The obligation was for an additional half year of pension for each year he worked, which was in addition to the pension under the public service pension plan outlined in Section 5(2) of the *Auditor General Act*. The estimated accrued liability at March 31, 2015 was $297,000.

9. Miscellaneous receipts

Miscellaneous receipts include the repayment of funds to the Office for expenditures made to employees and suppliers.

The Office also has seconded employees to other offices and received repayment of their salaries during the exchange.

10. Commitments

The Office leases three multifunction devices and two photocopiers under agreements that terminate in November 2019.

The Office entered into a 20-year lease agreement for newly built office space, commencing November 1, 2014. The total future minimum lease payments for the duration of the lease are $25.4 million.

Future minimum payments for each of the next five years under the terms of the commitments, as of March 31, 2016 are as follows:

(in $thousands)

Fiscal Year	Commitment
2016/17	1,380
2017/18	1,380
2018/19	1,380
2019/20	1,372
2020/21	1,369
Total	**6,881**

11. Audit services

Classification of audit service expenses by object:

(in $thousands)

Year Ended March 31	2016		2015
	Budget	Actual	Actual
Salaries and benefits	11,922	11,350	11,425
Professional services	1,642	1,423	1,582
Occupancy costs	1,475	1,490	1,036
Travel	457	381	418
Professional dues and training	524	335	324
Information technology	372	370	388
Office expenses	187	165	368
Depreciation	247	252	210
Report publications	50	40	32
Research grants	69	67	63
	16,945	15,873	15,846

12. Related party transactions

The Office is related, as a result of common ownership, to all B.C. government ministries, agencies, Crown corporations, and all other public sector entities. Transactions with entities are recorded on an accrual basis, and are considered to be in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

OFFICE OF THE
Auditor General
of British Columbia

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